

Audit

Report



HAZARDOUS WASTE DISPOSAL COSTS FOR THE DEFENSE LOGISTICS AGENCY

Report Number 00-020

October 26, 1999

Office of the Inspector General
Department of Defense

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Acronyms

CY	Calendar Year
DLA	Defense Logistics Agency
DRMS	Defense Reutilization and Marketing Service
MoM	Measure of Merit



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-2884

October 26, 1999

MEMORANDUM FOR DEPUTY UNDER SECRETARY OF DEFENSE FOR
ENVIRONMENTAL SECURITY
DIRECTOR, DEFENSE LOGISTICS AGENCY

SUBJECT: Audit Report on Hazardous Waste Disposal Costs for the Defense
Logistics Agency (Report No. 00-020)

We are providing this audit report for information and use. The Office of the Deputy Under Secretary of Defense for Environmental Security requested the audit to review the costs and quantities and the budget formulation and review process related to DoD hazardous waste disposal. We considered management comments on a draft of this report when preparing the final report.

Management comments on the draft of this report conformed to the requirements of DoD Directive 7650.3 and left no unresolved issues. Therefore, no additional comments are required.

We appreciate the courtesies extended to the audit staff. Questions on the audit should be directed to Mr. Joseph P. Doyle at (703) 604-9348 (DSN 664-9348) (jdoyle@dodig.osd.mil) or Ms. Deborah L. Culp at (703) 604-9335 (DSN 664-9335) (dculp@dodig.osd.mil). See Appendix B for the report distribution. The audit team members are listed inside the back cover.

David K. Steensma
David K. Steensma
Deputy Assistant Inspector General
For Auditing

Office of the Inspector General, DoD

Report No. 00-020

(Project No. 9CK-5021)

October 26, 1999

Hazardous Waste Disposal Costs for the Defense Logistics Agency

Executive Summary

Introduction. This audit is part of the overall audit, "DoD Hazardous Waste Disposal Costs," (Project No. 9CK-5021). The overall audit was jointly conducted by the Inspector General, DoD, and the Army, Navy, and Air Force audit agencies. The Office of the Deputy Under Secretary of Defense (Environmental Security) requested the audit to review the costs and quantities and the budget formulation and review process related to DoD hazardous waste disposal. This report discusses hazardous waste disposal cost budgeting, execution, and measure of merit reporting at the Defense Logistics Agency. An overall report will be issued to summarize the audit results of the Services and the Defense Logistics Agency.

Objectives. The overall audit objective at the Defense Logistics Agency was to determine why hazardous waste disposal budgets have increased while the reported unit cost to dispose of hazardous waste and the amount of hazardous waste have decreased. In addition, we evaluated the budget formulation and review process related to hazardous waste disposal. See Appendix A for a discussion of the audit scope and methodology and a summary of prior coverage related to the audit objectives.

Results. The Defense Logistics Agency reported hazardous waste disposal budget estimates and measure of merit data for hazardous waste disposal volumes to the Office of the Deputy Under Secretary of Defense (Environmental Security) that were not supported. The Defense Logistics Agency Environmental Compliance, Recurring Cost portion of the budget was missstated by about \$78 million in FY 1997 for hazardous waste disposal costs already reported by the Services. In addition, measure of merit data submissions did not accurately reflect the progress toward meeting the established 50 percent reduction of hazardous waste by calendar year 1999, and raises questions as to the accuracy of the hazardous waste reduction metric within DoD. For details of the audit results, see the Finding section of the report.

Summary of Recommendations. We recommend that the Defense Logistics Agency issue policy to subordinate organizations that specifies the standardized management tool to be used to report hazardous waste disposal cost and volumes when preparing budgeting and compliance documents.

Corrective Actions Taken. During the audit, the Director of the Defense Logistics Agency Environmental and Safety Policy office directed personnel to take immediate corrective actions in the areas of hazardous waste budget preparation and management controls. Accordingly, many of the cited conditions have been acknowledged and corrective actions are in process or have been completed.

Management Comments. The Defense Logistics Agency agreed to issue policy and specify a standardized management tool to assist in preparing hazardous waste budget estimates and measure of merit submissions. The Deputy Under Secretary of Defense (Environmental Security) agreed with the content of the report and will continue to work with DoD Components to attempt to correct the deficiencies identified. Refer to the Finding section of the report for a discussion of management comments and to the Management Comments section of the report for the complete text of the comments.

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Introduction

This audit is part of the overall audit, "DoD Hazardous Waste Disposal Costs," (Project No. 9CK-5021), which was performed at the request of the Office of the Deputy Under Secretary of Defense (Environmental Security [DoD Environmental Security]) to review the costs and quantities and the budget formulation and review process related to DoD hazardous waste disposal. This report discusses hazardous waste disposal cost budgeting, execution, and measure of merit (MoM) reporting for the Defense Logistics Agency (DLA). An overall report will summarize the audit results of the Services and the DLA.

Background

Definition and Measure of Merit. Hazardous waste is material that no longer serves a useful purpose and demonstrates characteristics of ignitability, corrosivity, reactivity, toxicity, or is listed as hazardous by the Environmental Protection Agency. The Resource Conservation and Recovery Act of 1976 regulates Federal, State, and local government facilities that generate, transport, treat, store, or dispose of hazardous waste.

The Department of Defense has implemented policies to reduce the volume of hazardous waste. Executive Order 12856, as implemented by DoD Instruction 4715.4, "Pollution Prevention," June 18, 1996, established a pollution prevention MoM for hazardous waste disposal. By the end of Calendar Year (CY) 1999, DoD components are to reduce the disposal of hazardous waste 50 percent from the 1992 baseline. The DoD Environmental Security office provided the following definition of hazardous waste to be included in the MoM submission:

Include all manifested hazardous waste, as currently defined by EPA under the Solid Waste Disposal Act, but not limited to, wastes associated with spills, tank cleaning, bilge water, BRAC activities, deployments, and off site disposal, treatment, recycling, and incineration activities. Exceptions: do not include hazardous wastes associated with CERCLA or RCRA cleanup activities.

The DoD reported a CY 1992 baseline figure of about 409 million pounds of hazardous waste and in CY 1997 reported about 220 million pounds. The CY 1997 figure represented a 46 percent reduction from the CY 1992 amount. The DLA reported a CY 1992 baseline figure of about 13.8 million pounds of hazardous waste and in CY 1997 reported about 8.1 million pounds. The DLA CY 1997 figure represented a 41 percent reduction from the CY 1992 amount.

The DLA organizations are required to report MoM data semiannually to the DLA Environmental Safety and Policy office (DLA Environmental). The DLA Environmental office summarizes the DLA MoM data and submits it to the DoD Environmental Security office. The MoM data is summarized and incorporated into DoD reports to Congress and the Environmental Protection Agency.

Budgeting for Hazardous Waste Disposal. The DoD Environmental Security office was concerned about the DoD hazardous waste budget and hazardous waste reporting requirements. Specifically, the DoD Environmental Security office wanted to ensure that budgets for DoD components reflected realistic amounts, because of the significant reductions in the volume of hazardous waste (as reported by the MoM) and the unit cost of hazardous waste disposal.

DLA organizations report anticipated hazardous waste recurring costs in the Environmental Compliance, Recurring Costs, budget submission. The DLA Environmental office summarizes the hazardous waste budget estimates for DLA organizations and submits the data to the DLA Comptroller. The DLA Comptroller prepares the budget estimate submission for the DoD Comptroller for inclusion into the President's budget request. The DLA Environmental office also reports the data to the DoD Environmental Security office for program requirements. The DoD program value for hazardous waste disposal was about \$211 million in FY 1997. The DLA program value for hazardous waste disposal in FY 1997 was about \$80 million.

Defense Reutilization and Marketing Service. DLA is the executive agent for hazardous waste disposal for the DoD. The Defense Reutilization and Marketing Service (DRMS), a subordinate organization, manages the program for DLA. DRMS manages over 80 regional service contracts to dispose of hazardous waste. DoD organizations turn in hazardous waste to the local Defense Reutilization and Marketing Office. Private contractors for disposal then pick up the hazardous waste. The Services reimbursed DRMS about \$78 million for hazardous waste disposal in FY 1997.

Objectives

The overall audit objective at DLA was to determine why hazardous waste disposal budgets have increased while the reported unit cost to dispose of hazardous waste and the amount of hazardous waste have decreased. In addition, we evaluated the budget formulation and review process related to hazardous waste disposal. See Appendix A for a discussion of the audit scope and methodology and a summary of prior coverage related to the audit objectives.

Hazardous Waste Cost and Volume

Part of the primary audit objective was to determine whether the reported unit cost of hazardous waste disposal and the amount of hazardous waste disposal have decreased. The DRMS prepared a study showing hazardous waste cost and volume trends for the Services and DLA. We will include the information from the DRMS study in the overall DoD report. The overall DoD report will also examine the relationship, if any, between hazardous waste budget submissions and hazardous waste volume reporting requirements. We will also summarize the results of the audits performed by the Service audit agencies.

Defense Logistics Agency Hazardous Waste Budgeting and Measure of Merit Reporting

The DLA reported hazardous waste disposal budget estimates and MoM data for hazardous waste disposal volumes to the DoD Environmental Security office that were not supported. The budget estimates and MoM data were not supported because DLA organizations did not have reliable historical data to use to estimate realistic hazardous waste disposal costs and report hazardous waste disposal volumes. In addition, DLA did not perform sufficient program oversight of the hazardous waste budget and MoM data submissions. As a result, the DLA Environmental Compliance, Recurring Cost portion of the budget was misstated by about \$78 million in FY 1997 for hazardous waste disposal costs also reported by the Services. In addition, DLA MoM data did not accurately reflect the progress toward meeting the established 50 percent reduction of hazardous waste by CY 1999, and raises questions as to the accuracy of the hazardous waste reduction metric within DoD.

DLA Hazardous Waste Budgetary Data

The DLA hazardous waste budget estimates were unsupportable because of the lack of historical cost data for budget estimation. In addition, the DLA Environmental office did not perform sufficient program oversight and review to ensure that the hazardous waste budget submission reflected program values at the subordinate organizations, and incorrectly included the DRMS reimbursable portion of hazardous waste contracting services in the budget submission.

Historical Cost Data for Hazardous Waste Budget Preparation. DLA hazardous waste budgets were unsupported because of the lack of historical cost data to use for budget estimation. Two of the five DLA organizations visited (Defense Distribution Depot San Joaquin, California, and Defense Supply Center Richmond, Virginia) did not have historical cost data to support their hazardous waste budget preparations. At the Defense Distribution Center New Cumberland, Pennsylvania, and the Defense Energy Support Center, Virginia, we were able to obtain adequate documentation to support current year hazardous waste budget calculations, but were unable to support prior year hazardous waste budget submissions. The DRMS hazardous waste budget is discussed in the Finding section of this report.

Historical Cost Data at DLA Organizations. The DLA organizations were unable to provide historical cost data to support their hazardous waste budget estimates. At the Defense Distribution Center San Joaquin, the FY 1997 Environmental Compliance recurring cost hazardous waste budget was estimated for FYs 1997 through 2003 at about \$300,000 per year. The Defense Distribution Center San Joaquin was unable to provide historical cost data to support their hazardous waste budget preparation. When the Defense Distribution Center San Joaquin developed a hazardous waste disposal cost

database to track costs and provide historical data for budgeting, the FY 1999 hazardous waste budget submission decreased significantly to \$36,000 for FY 1997 and \$30,000 for FYs 1998 through 2003.

The Defense Supply Center Richmond officials stated that they did not submit a formal hazardous waste budget to the DLA Environmental office until FY 1998. In previous years, the Defense Supply Center Richmond submitted a rough estimate to the DLA Environmental office. Budget personnel stated that the budget estimate provided by the DLA Environmental office to the DoD Environmental Security office did not seem to be based upon the estimate originally provided by the Defense Supply Center Richmond.

Officials at the Defense Distribution Center New Cumberland and the Defense Energy Support Center had limited historical cost data to support their hazardous waste budget estimates. At the Defense Distribution Center New Cumberland, FY 1998 hazardous waste costs were verified. The Defense Distribution Center New Cumberland could not provide adequate supporting documentation for prior year hazardous waste budget estimates. At the Defense Energy Support Center, supporting documentation was available for FYs 1996 through 1998, but officials did not submit a FY 1998 hazardous waste budget because there was no change from FY 1997 values and the DLA Environmental office did not require a new submission.

The DLA Environmental office should encourage DLA organizations to obtain hazardous waste historical cost information from a standardized management information system which would provide consistency when DLA organizations estimate future hazardous waste budget submissions.

DLA Program Oversight for Hazardous Waste Budget Preparation. DLA organizations developed and submitted hazardous waste budget estimates that were unsupported because they lacked proper program oversight by the DLA Environmental office. This lack of adequate oversight resulted in hazardous waste budget submissions from DLA organizations that did not reflect realistic estimates to dispose of hazardous waste within the DLA, as well as the improper classification of DRMS reimbursable contract costs as hazardous waste costs.

DLA Environmental Review of Hazardous Waste Budget

Estimates. The DLA Environmental office did not perform sufficient oversight of DLA organization hazardous waste budget estimates. The DLA Environmental office relied on the DLA organization hazardous waste budget submission unless the number appeared to be out of line with previous submissions. Personnel responsible for summarizing the DLA organization hazardous waste budget data could not provide supporting documentation for hazardous waste budgets for FYs 1995 through 1997. The DLA Environmental office recently implemented "Guidance for Determining and Reporting

Environmental Costs," March 1, 1997, which should provide the necessary reviews if executed properly. The DLA Environmental office is responsible for:

- providing assistance and guidance during the hazardous waste budget formulation and budget cycles for documentation of environmental requirements for DLA field organizations, and
- providing information regarding DLA environmental requirements to the Office of the Secretary of Defense and to the Congress.

DRMS Reimbursable Contract Costs in the Environmental POM. The DLA Environmental office included the DRMS reimbursable amount of hazardous waste contract costs in their Environmental POM submission to the DoD Environmental Security office. This amount is already reported by the Services in their respective hazardous waste budgets. This resulted in DRMS double reporting the costs to dispose of hazardous waste and distorted the total program value when this amount was rolled up by DLA and reported to the DoD Comptroller and the DoD Environmental Security office.

The Services and DLA organizations are required to submit hazardous waste budgets showing the anticipated costs to dispose of hazardous waste. DRMS does not generate hazardous waste, except for minimal costs for disposal at the various Defense Marketing and Reutilization offices. The following table demonstrates the effect of this reporting method.

FY 1997 Environmental Compliance Recurring Costs, Waste Disposal (In Millions)			
	<u>With DRMS</u>	<u>Without DRMS</u>	<u>Difference</u>
DLA	\$80.21	\$2.35	\$77.86
Total DoD	\$211.06	\$133.21	\$77.86

DRMS misstated the total program value for hazardous waste disposal by about \$77.9 million in FY 1997. The reimbursable nature of the DRMS mission did not result in double funding of the program by the DoD Comptroller. Identifying the DRMS reimbursable portion in the Environmental Compliance, Recurring Cost, portion of the hazardous waste budget will provide the DLA Environmental and DoD Environmental Security offices with more reliable budget data to evaluate hazardous waste disposal budget trends.

DLA Measure of Merit Reporting Data

DLA hazardous waste MoM data was not supported because of the lack of documentation for MoM preparation. The DLA Environmental office did not perform sufficient oversight and review of the MoM reporting process to ensure that the submissions reflected the actual reduction of hazardous waste at DLA organizations.

Supporting Documentation for MoM. DLA organizations were unable to provide adequate supporting documentation for the MoM data for each of the reporting periods. None of the DLA organizations were able to support the CY 1992 baseline computations. The lack of reliance upon existing hazardous waste volume tracking query systems resulted in data that did not accurately reflect the progress toward meeting the 50 percent reduction of hazardous waste.

MoM Data at DLA Organizations. DLA organizations were unable to provide adequate documentation to support the MoM submissions. Four of the five sites visited (Defense Supply Center Richmond, Defense Distribution Depot New Cumberland, Defense Distribution Depot San Joaquin, and the Defense Energy Support Center) were required to submit MoM data. At the four sites, several problems were found that impaired the MoM preparation process:

- DLA organizations did not have reliable hazardous waste disposal volume data in CY 1992 to properly develop the MoM baseline.
- All DLA organizations visited used CY 1994 as a baseline, which makes the overall results of the reduction metric unreliable when, compared with Service organizations that used the CY 1992 baseline as instructed by DoD.
- DLA organizations did not have adequate hazardous waste disposal tracking methods in place to properly measure the true reduction, if any, of hazardous waste disposal at the organization.

The four DLA organizations required to submit MoM data were unable to adequately support the MoM submissions. At the Defense Supply Center Richmond, supporting data was only available for the CY 1996 MoM submission. At the Defense Distribution Center New Cumberland and the Defense Energy Support Center, MoM submissions did not have documentation to support the calculations. At the Defense Distribution Center San Joaquin, environmental specialists provided three different sets of supporting documentation for the same MoM data, with the first two submissions projecting noncompliance with the 50 percent reduction and the third submission exceeding the reduction metric.

DLA Environmental Office Concerns Regarding MoM Data. DLA Environmental office personnel expressed reservations about the reliability of data received prior to 1998 from the subordinate organizations, and often used data from DRMS Rapid Access to Information in DLA to augment or replace the original submission. As late as December 1998, using DRMS data, the DLA Environmental office attempted to recreate the CY 1992 baseline and subsequent years.

During the audit, the DLA Environmental office stated that they would provide the supporting documentation for the December 1998 MoM revision. The latest data submission from the DLA Environmental office still did not support the December 1998 MoM revision.

Because of the lack of supporting documentation, we were unable to verify the accuracy of the reported amounts on the MoMs. Requiring DLA subordinate organizations to use a standardized management information system would ensure consistency in reporting, and provide the DoD Environmental Security office with a more reliable hazardous waste disposal reduction metric.

DLA Environmental Office Oversight for MoM Preparation. The DLA Environmental office did not perform sufficient oversight of the preparation and submission of the hazardous waste MoM data. As a result, there was no assurance that the MoM data showed accurate reductions in hazardous waste disposal at DLA organizations.

MoM Reporting at DLA Organizations. The DLA Environmental office did not perform sufficient oversight of the MoM data submitted by DLA organizations. As a result, two main problems exist that affect the reliability of the MoM data.

- MoM preparation criteria changed from year to year, making the data from previous periods using different reporting methodology not readily comparable. A change in process (from disposing hazardous waste on-site versus off-site) could result in an organization showing a significant reduction in hazardous waste disposal without any reduction in the actual generation of hazardous waste.
- DLA organizations originally presented data in CY format and in 1997 changed to a FY format further complicating the comparability of prior period data. The DoD Environmental Security office directed DoD organizations to report MoM data in the CY format for purposes of consistency and comparability.

The DLA Environmental office should establish controls for existing MoM preparation criteria to ensure the reliability of hazardous waste volume reduction data. The DLA Environmental office could also identify types of hazardous wastes that are unique to DLA that should be included in the MoM to provide consistency between DLA organizations. The DLA Environmental office should also provide consistency in the manner in which the data is collected and reported (calendar year versus fiscal year) relative to other DoD organizations.

The DLA Environmental office also needs to independently test the accuracy of hazardous waste budgetary data and MoM data submitted by the DLA subordinate organizations.

Summary

DLA Hazardous waste budget estimates and MoM data reported by the DLA Environmental office to the DoD Environmental Security office were not supported. The DLA hazardous waste disposal budget within DoD was misstated by about \$78 million in FY 1997. The DLA budget included hazardous waste disposal costs that were also reported by the Services. DLA summary MoM data submissions did not accurately reflect its progress toward meeting the established 50 percent reduction of hazardous waste by CY 1999, and distorted the true hazardous waste reduction metric within DoD. Therefore, the DoD Environmental Security office used misstated hazardous waste disposal budget data and unsupported MoM data.

Corrective Actions Taken. The DLA Environmental office removed the DRMS reimbursable portion from the FY 2000 Environmental Compliance, Recurring Cost hazardous waste budget. In addition, DLA issued guidance in 1998 to ensure that hazardous waste budget estimates and MoM submissions are sufficiently reviewed prior to submission to the DoD Environmental Security office.

Management Comments on the Finding and Audit Response

DLA Comments on Supporting Documentation for MoM Submissions. DLA partially agreed that there is not supporting documentation for the MoM hazardous waste estimates from the DLA subordinate organizations. DLA stated that they do not agree that the MoM submissions were inaccurate, but agree that a management tool to calculate and consolidate the DLA hazardous waste generations would provide better reliability.

Audit Response. The DLA comments are generally responsive. The DLA Environmental office requested several opportunities to provide support to us for the MoM submissions. In each instance, the supporting documentation restated the numbers originally provided to the DoD Environmental Security office without any supporting schedules. The last attempt to submit supporting documentation resulted in a new set of figures that did not agree with previous submissions to the DoD Environmental Security office. Because DLA concurred with the corrective action in this area, no additional comments are required.

DLA Comments on Inclusion of Reimbursable Amounts in the Hazardous Waste Budget. DLA stated that there was sufficient clarity between DLA and DoD Environmental Security regarding the inclusion of \$78 million for DRMS reimbursable hazardous waste services.

DLA stated that the inclusion of the reimbursable amount was reported with full knowledge by the DoD Environmental Security office and did not result from a lack of oversight by DLA.

Audit Response. DLA stated that the \$78 million represented the amount DRMS was reimbursed by the Military Services for disposal of their hazardous waste generations for that fiscal year. The Environmental Compliance, Recurring Cost portion of the budget was used to report anticipated costs to dispose of hazardous waste generated onsite, not the value of contracts to dispose of other Service organizations hazardous waste. DLA budget submissions to the DoD Environmental Security office did not mention via footnote or other notations that this portion of the budget estimate represented a reimbursable amount. The DoD Environmental Security office relied upon this information in budget estimate submissions to Congress and reported the aggregate amount submitted by DLA.

While DLA may have been aware of the reimbursable nature of the budget submission, when viewed in total, it was misstated by that amount because anticipated costs to dispose of hazardous waste by the Services were properly reported in their respective budget submissions. Although DLA did not agree with the content of the report regarding this issue, the DLA Environmental office removed the DRMS reimbursable portion for the current budget estimate submission to the DoD Environmental Security office. No further comments are required.

DLA Comments on Distortion of the DoD Hazardous Waste Reduction Metric. DLA acknowledged the lack of supporting data from their subordinate organizations or from the Rapid Access to Information Database in DLA and other databases. DLA stated that nevertheless, the MoM data was considered accurate and it was not appropriate to imply that overall DoD performance had been distorted.

Audit Response. Because of the lack of supporting documentation from the DLA subordinate organizations and the DLA Environmental office, we were unable to determine the actual reduction. Data submissions that have no basis of support most certainly distorts the overall DoD numbers. Because DLA concurred with the corrective action in this area, no additional comments are required.

Recommendations and Management Comments

We recommend that the Director, Defense Logistics Agency, issue policy to subordinate organizations that specifies the standardized management tool to be used to assist in preparing Environmental Compliance, Recurring Cost, budget estimate and measure of merit submissions.

Defense Logistics Agency Comments. DLA concurred, stating that consolidated guidance was issued in late 1998 to ensure that the hazardous waste budget estimates and MoM submissions were sufficiently reviewed prior to submission to the DLA Environmental office. DLA will now expand and clarify procedures to collect, maintain, and report hazardous waste budget and volume data. The expected completion date for these actions is October 2000.

Deputy Under Secretary of Defense (Environmental Security) Comments. The DoD Environmental Security office concurred with the content of the report. The DoD Environmental Security office pledged to work with DoD Components to attempt to correct the deficiencies identified in the report.

Appendix A. Audit Process

Scope and Methodology

Work Performed. We discussed the audit objectives and audit plan with the DoD Environmental Security office. We reviewed policies, procedures, and documentation related to budget preparation, submission, and program execution as well as quantity data for hazardous waste disposal at the DoD and DLA Headquarters and five DLA organizations. We judgmentally selected the five DLA organizations based on information regarding hazardous waste disposal costs and disposal volumes from the DRMS Rapid Access to Information in DLA. Our review included documentation from CYs and FYs 1992 through 1998. For the FY 1997 DLA Environmental Compliance, Recurring Cost, hazardous waste budget, we reviewed \$80.1 million of the total program value of \$80.2 million. For the CY 1996 DLA MoM submission, we reviewed hazardous waste submissions totaling about 0.989 million pounds of the total DLA reported MoM amount of about 3.6 million pounds (total amount based on the revised submission data). We did not review the management control program because the scope of the audit was limited to addressing only specific questions asked by the DoD Environmental Security office.

We coordinated the audit with the Service audit agencies that will conduct their own audits of hazardous waste costs and quantities.

Use of Computer Processed Data. To achieve the audit objectives, we extensively relied on computer-processed data contained in the Rapid Access to Information Database in DLA. Our review of the system and the results of tests showed an error rate that casts doubt on the validity of the data. However, when the data are reviewed in context with other available evidence, we believe that the opinions, conclusions, and recommendations in the report are valid.

DoD-Wide Corporate Level Government Performance and Results Act Goals. In response to the Government Performance Results Act, the Department of Defense has established 2 DoD-wide corporate level performance objectives and 7 subordinate performance goals. This report pertains to achievement of the following goal (and subordinate performance goal):

Goal 2: Prepare now for an uncertain future by pursuing a focused modernization effort that maintains U.S. qualitative superiority in key warfighting capabilities. Transform the force by exploiting the Revolution in Military Affairs, and reengineer the Department to achieve a 21st century infrastructure. **Performance Goal 2.3:** Streamline the DoD infrastructure by redesigning the Department's support structure and pursuing business practice reforms. (00-DoD-2.3)

DoD Functional Area Reform Goals. Most major DoD functional areas have also established performance improvement reform objectives and goals. This report pertains to achievement of the following functional area objective and goal:

Environmental Functional Area. **Objective:** Implement pollution prevention programs throughout the DoD. **Goal:** By the end of Calendar Year 1999, reduce disposal of hazardous waste 50 percent from the 1992 baseline (amount of hazardous waste disposal will be measured and reported in pounds). **(ENV-3.2)**

General Accounting Office High-Risk Area. The General Accounting Office has identified several high-risk areas in the DoD. This report provides coverage of the Defense Financial Management high-risk area.

Audit Type, Dates and Standards. We performed this economy and efficiency audit from November 1998 through June 1999 in accordance with auditing standards issued by the Comptroller General of the United States as implemented by the Inspector General, DoD.

Contacts During the Audit. We visited or contacted individuals and organizations within DoD, and a non-Governmental organization, The Center for Naval Analyses. Further details are available on request.

Summary of Prior Coverage

Inspector General, DoD, Report No. 97-118, "Evaluation of Environmental Measures of Merit," April 7, 1997.

Air Force Audit Agency, Project 98052005, "HW [Hazardous Waste] Cost and Quantity Reduction," November, 1998

The Center for Naval Analyses (CNA), Report No. CRM 98-101, "Recent Trends in Navy Hazardous Waste Disposal," September, 1998

Appendix B. Report Distribution

Office of the Secretary of Defense

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Assistant Deputy Under Secretary of Defense (Environmental Quality)
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Deputy Chief Financial Officer
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Director (Program Analysis and Evaluation)

Other Defense Organizations

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Commander, Defense Distribution Center
Commander, Defense Distribution Depot, Richmond
Commander, Defense Distribution Depot, Stockton
Commander, Defense Energy Support Center
Commander, Defense Reutilization and Marketing Service
Director, National Security Agency
Inspector General, National Security Agency

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Deputy Under Secretary of Defense (Environmental Security) Comments



OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON
WASHINGTON DC 20301-3000

SEP. 07 1999

MEMORANDUM FOR ASSISTANT INSPECTOR GENERAL FOR AUDITING, OAIG/AUD

THROUGH: CONGRESSIONAL ACTIONS AND INTERNAL REPORTS

SUBJECT: Audit Report on Hazardous Waste Disposal Costs for the Defense Logistics Agency
(Project No. 9CK-5021)

Your memorandum of August 9, 1999, requested comments on the subject draft report. My Environmental Quality (EQ) staff reviewed the report and concurs with its content. The EQ staff will continue to work with the DoD Components to attempt to correct the deficiencies identified in the report.

My point of contact on this subject is Mr. Eric Spillman at (703) 604-1732 or e-mail at spillmer@acq.osd.mil

Gary D. Vest

Principal Assistant Deputy Under Secretary
of Defense (Environmental Security)

cc: DASA (ESOI)
DASN (ES)
SAF/MIQ
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Environmental Security  Defending Our Future

Defense Logistics Agency Comments



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IN REPLY
REFER TO

DD

SEP 21 1999

MEMORANDUM ASSISTANT INSPECTOR GENERAL FOR AUDITING,
DEPARTMENT OF DEFENSE

SUBJECT DoD IG Draft Report, Hazardous Waste Disposal Costs for the Defense
Logistics Agency (Project No 9CK-5021) August 9, 1999

The following comments are provided in response to your August 9, 1999, request in
the subject report. DLA partially concurs with some aspects of the finding and
nonconcurs with other aspects. DLA concurs with the recommendation and is taking
corrective action. Comments to the report are shown below.

FINDING: *Defense Logistics Agency Hazardous Waste (HW) Budgeting and
Measure of Merit (MoM) Reporting. The DLA reported hazardous waste disposal
budget estimates and MoM data for hazardous waste disposal volumes to the DoD
Environmental Security office (DUSD (ES)) that were not supported. The budget
estimates and MoM data were not supported because DLA organizations did not have
reliable historical data to use to estimate realistic hazardous waste disposal costs and
report hazardous waste disposal volumes. In addition, DLA did not perform sufficient
program oversight of the hazardous waste budget and MoM data submissions. As a
result, the DLA Environmental Compliance, Recurring Cost portion of the budget was
misstated by about \$78 million in FY 97 because it included hazardous waste disposal
costs also reported by the Services. In addition, DLA MoM data did not accurately
reflect the progress toward meeting the established 50 percent reduction of hazardous
waste by CY 1999, and distorted the true hazardous waste reduction metric within
DOD*

DLA COMMENTS: We partially concur with the Summary finding that there is not
supporting documentation for the MoM HW estimates from the field. DLA estimates
were based on the best information available, which we believe is accurate. We do not
agree that the generation estimates were inaccurate, but do agree that a management
tool to calculate and consolidate the DLA HW generations would provide better
reliability.

We non-concur with the finding, repeated several times throughout the document,
that "the misstated \$78 million in the FY 97 DLA hazardous waste budget submission
resulted from a lack of program oversight by DLA." It was proper for DLA to report to
DUSD(ES) the quantity of HW that DRMS disposed of for the Services. Our reporting
was based on financial records. The Summary on page 8 of the audit report states that
"The DLA Budget included hazardous waste disposal costs that were also reported by

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the Services "

The \$78 million represents the amount DRMS was reimbursed by the military services for disposal of their HW generations for that fiscal year. That total is an accurate figure. The fact that it represented a reimbursable amount was briefed to DUSD(ES) staff during numerous In-Progress Reviews over several years. It was not additive to the hazardous waste numbers that were briefed by the Services. It represented that portion of the Services total that was disposed of by DRMS. We believe there was sufficient clarity concerning our budget submission and that it is not appropriate to find that the budget was "misstated". Further, the reimbursable costs were purposely included in the submission and did not result from a lack of oversight by DLA. It was reported as a reimbursable amount with our full knowledge and with the full knowledge of the DUSD(ES) staff. Any misstated totals reported to Congress or to anyone else was not the result of any lack of program oversight by DLA and we respectfully request that you remove any such statements from the final report

We non-concur with the finding alleging DLA HW MoM submissions "distorted the true HW reduction metric within DoD" (stated in the Executive Summary and on page 3, paragraph 1) The report concludes that a distortion exists in the DoD metric only because there is a lack of supporting data from the field. We acknowledge that DLA MoM data was compiled from DRMS and other databases, and therefore is not supported by field activity submissions. Nevertheless, DLA MoM data is considered to be accurate. In any event, it is not appropriate to imply that overall DoD performance has been distorted. We request that statement be removed and suggest the following alternate statement: "DLA HW MoM submissions could not be substantiated. This raises a question as to the true accuracy of the DoD HW reduction metric, however, DLA generations comprise only about 3 percent of the DoD total and this would not significantly impact the DoD HW MoM submissions"

Appendix A. Scope and Methodology: Use of Computer Processed Data "To achieve the audit objectives, we extensively relied on computer-processed data contained in the Rapid Access to Information Database in DLA. Our review of the system and the results of tests showed an error rate that casts doubt on the validity of the data. However, when the data are reviewed in context with other available evidence, we believe that the opinions, conclusions, and recommendations in the report are valid "

DLA Comment. A system conversion fault and a corrupted hard-drive caused the RAID data errors. DRMS has corrected the problem

RECOMMENDATION: We recommend that the Director, Defense Logistics Agency, issue policy to subordinate organizations that specifies the standardized management tool to be used to assist in preparing Environmental Compliance, Recurring cost, budget estimate and MoM submissions

DLA COMMENTS: We concur with the report's recommendation to issue policy and specify a standardized management tool. DLA issued consolidated guidance to the field in late 1998 to ensure that hazardous waste budget estimates and MoM submissions are sufficiently reviewed prior to submission to the DLA Environmental & Safety Policy Office. We will now expand and clarify procedures for collecting, maintaining and reporting hazardous waste and budget information. We expect to accomplish these actions by October 2000

DISPOSITION

(x) Action is ongoing Estimated Completion Date October 2000



E. R. Chamberlin
Rear Admiral, SC, USN
Deputy Director

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